

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 		Printed Name		License Number

Birmingham Area Cable Board

**Financial Report
with Supplemental Information
June 30, 2006**

Birmingham Area Cable Board

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Independent Auditor's Report

To the Board Members
Birmingham Area Cable Board

We have audited the basic financial statements of Birmingham Area Cable Board as of June 30, 2006 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Birmingham Area Cable Board at June 30, 2006 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Birmingham Area Cable Board. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

August 3, 2006



A worldwide association of independent accounting firms

Birmingham Area Cable Board

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and investments (Note 2)	\$ 786,120	\$ -	\$ 786,120
Amount on deposit at the Village of Beverly Hills (Note 3)	119,381	-	119,381
Due from communities for franchise and PEG fees:			
Birmingham	74,407	-	74,407
Beverly Hills	31,916	-	31,916
Franklin Village	20,619	-	20,619
Bingham Farms	5,079	-	5,079
Fixed assets (Note 4)	-	145,227	145,227
Total assets	<u>\$ 1,037,522</u>	145,227	1,182,749
Liabilities - Accounts payable	\$ 4,483	-	4,483
Fund Balance - Unreserved/Undesignated	<u>1,033,039</u>	<u>(1,033,039)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,037,522</u>		
Net Assets			
Invested in capital assets		145,227	145,227
Unrestricted		<u>1,033,039</u>	<u>1,033,039</u>
Total net assets		<u>\$ 1,178,266</u>	<u>\$ 1,178,266</u>

Birmingham Area Cable Board

Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2006

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
Revenue			
Franchise fees:			
Birmingham	\$ 111,525	\$ -	\$ 111,525
Beverly Hills	47,442	-	47,442
Franklin Village	15,685	-	15,685
Bingham Farms	8,449	-	8,449
PEG fees:			
Birmingham	167,288	-	167,288
Beverly Hills	69,522	-	69,522
Franklin Village	23,527	-	23,527
Bingham Farms	11,024	-	11,024
Other	10,967	-	10,967
Total revenue	465,429	-	465,429
Expenditures			
PEG operations:			
BCTV PEG	100,000	-	100,000
Grants	25,000	-	25,000
Capital outlay	6,350	(6,350)	-
Depreciation	-	22,938	22,938
Mobile van	1,143	-	1,143
Miscellaneous	3,860	-	3,860
Board expenditures:			
Recording secretary	3,720	-	3,720
Executive director	24,963	-	24,963
Operating expenses	27,681	-	27,681
Attorney fees	20,438	-	20,438
Audit fees	5,375	-	5,375
Insurance	8,204	-	8,204
Advertising and promotions	3,370	-	3,370
Memberships	1,269	-	1,269
Conferences	6,444	-	6,444
Total expenditures	237,817	16,588	254,405
Excess of Revenue Over Expenditures/Change in Net Assets	227,612	(16,588)	211,024
Fund Balance/Net Assets - Beginning of year	805,427	161,815	967,242
Fund Balance/Net Assets - End of year	<u>\$ 1,033,039</u>	<u>\$ 145,227</u>	<u>\$ 1,178,266</u>

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Birmingham Area Cable Board (the "Authority") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

Birmingham Area Cable Board was created through an interlocal agreement between the City of Birmingham and the Villages of Beverly Hills, Bingham Farms, and Franklin (the "Parties"). The Authority was organized to obtain for the citizens of the Parties and to thereafter maintain for those citizens the highest quality of cable communication service at the lowest reasonable cost in accordance with franchise agreements and established ordinances. The Authority is operated by a 13-member board; seven representatives are appointed by the City of Birmingham, four representatives are appointed by the Village of Beverly Hills, one representative from the Village of Bingham Farms, and one representative from the Village of Franklin. As required by accounting principles generally accepted in the United States of America, these financial statements present Birmingham Area Cable Board. No other component units have been combined into the Authority's basic financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority's basic financial statements include both the Authority's full accrual financial statements and modified accrual financial statements.

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables. The Authority's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Fixed Assets - Fixed assets are defined by the Authority as assets with an initial cost of more than \$500 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Production van	10-20 years
Equipment	10 years

PEG Activity - The Authority's cable provider has established three channels for public, education, and government (PEG) use. The public and governmental channels are administered by the Authority and the educational channel is administered by the Birmingham School District. In order to fund the administration of these channels, the Authority receives financial support in the form of PEG fees from its cable provider in the amount of 3 percent of the cable provider's gross revenue. These funds are used on PEG-related projects. The PEG fees are allocated among the various member communities in the same manner as franchise fees. The member communities remit the PEG fees they collect to the Authority. A portion of these PEG fees can be allocated to the Parties and the Birmingham School District upon a grant request.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2006

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the Authority in accordance with Public Act 196 of 1997 has authorized investment in all investments permissible under Michigan Compiled Laws Section 129.92 (Public Act 20 of 1943, as amended) as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had approximately \$285,000 of bank deposits (checking account) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates the financial institution with which it deposits funds and assesses the level of risk of the institution; only institutions with an acceptable estimated risk level are used as depositories.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2006

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturity of investments is as follows:

Investments	Fair Value	Weighted Average Maturity
Government agency securities	\$ 397,535	184 days

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Pooled investments	\$ 3,897	AAA	Standard and Poors

Note 3 - Amount on Deposit at the Village of Beverly Hills

Franchise fees collected by the Parties are remitted to the Village of Beverly Hills. The Village of Beverly Hills uses these funds to pay for the Authority's monthly expenditures. The amount on deposit at the Village of Beverly Hills is the excess of the franchise fees collected over monthly expenditures.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2006

Note 4 - Fixed Assets

A summary of changes in fixed assets is as follows:

	Balance - Beginning of Year	Additions	Deletions	Balance - End of Year
Production van	\$ 189,844	\$ -	\$ -	\$ 189,844
Equipment	<u>66,884</u>	<u>6,350</u>	<u>-</u>	<u>73,234</u>
Total	256,728	6,350	-	263,078
Accumulated depreciation	<u>(94,913)</u>	<u>(22,938)</u>	<u>-</u>	<u>(117,851)</u>
Net book value	<u>\$ 161,815</u>	<u>\$ (16,588)</u>	<u>\$ -</u>	<u>\$ 145,227</u>

Note 5 - Budget Information

The annual budget is prepared by the Authority and adopted by the Authority's board; subsequent amendments are approved by the board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. There were no amendments during the current year.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted in total for revenues and expenditures; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted is included in the required supplemental information budgetary comparison schedule - General Fund. Line item detail is shown in this budget for analytical purposes only.

Birmingham Area Cable Board

Notes to Financial Statements June 30, 2006

Note 6 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance for claims relating to general liability and property. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Authority's General Fund differs from net assets and change in net assets of the Authority's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified Accrual Basis	\$ 1,033,039
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>145,227</u>
Net Assets - Full Accrual Basis	<u>\$ 1,178,266</u>
Net Change in Fund Balances - Modified Accrual Basis	\$ 227,612
Amounts reported in the statement of activities are different because capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	6,350
Depreciation	<u>(22,938)</u>
Change in Net Assets - Full Accrual Basis	<u>\$ 211,024</u>

Required Supplemental Information

Birmingham Area Cable Board

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Adopted Budget*	Actual	Variance Favorable (Unfavorable)
Revenue			
Franchise fees:			
Birmingham	\$ 97,320	\$ 111,525	\$ 14,205
Beverly Hills	42,200	47,442	5,242
Franklin Village	13,000	15,685	2,685
Bingham Farms	8,921	8,449	(472)
PEG fees:			
Birmingham	151,200	167,288	16,088
Beverly Hills	64,600	69,522	4,922
Franklin Village	20,900	23,527	2,627
Bingham Farms	10,400	11,024	624
Other	4,500	10,967	6,467
Total revenue	413,041	465,429	52,388
Expenditures			
PEG operations:			
BCTV PEG	100,000	100,000	-
Grants	110,000	25,000	85,000
Capital outlay	25,000	6,350	18,650
Mobile van	1,500	1,143	357
Miscellaneous	-	3,860	(3,860)
Programming	10,000	-	10,000
Board expenditures:			
Recording secretary	3,700	3,720	(20)
Executive director	35,900	24,963	10,937
Operating expenses	1,600	27,681	(26,081)
Attorney fees	30,000	20,438	9,562
Audit fees	3,500	5,375	(1,875)
Insurance	8,000	8,204	(204)
Advertising and promotions	500	3,370	(2,870)
Memberships	650	1,269	(619)
Conferences	6,000	6,444	(444)
Contingency	5,000	-	5,000
Special projects	1,000	-	1,000
Total expenditures	342,350	237,817	104,533
Net Change in Fund Balance	70,691	227,612	156,921
Fund Balance - Beginning of year	805,427	805,427	-
Fund Balance - End of year	<u>\$ 876,118</u>	<u>\$ 1,033,039</u>	<u>\$ 156,921</u>

* There were no budget amendments in the current year.

Note: Line-item budget information presented is for analytical purposes only. The budget was adopted in total for revenues and expenditures.